

and New Mexico that the proposed MMS royalty valuation rule simply will not work. Regulations should reflect a fair, reliable, and accurate royalty valuation system.

The issue here is really very simple: How do you set the fair market value of crude oil extracted from Federal lands on which to base the royalty calculation? Oil companies do not determine how much they have to pay—we do. Congress set the royalty percentage in the Mineral Leasing Act, the Outer Continental Shelf Lands Act, and other Federal laws and these laws provide that the royalty percentage to the Federal Government is  $\frac{1}{6}$  or  $\frac{1}{8}$  of the total value of the oil.

This is a very complicated, ongoing rulemaking procedure to assess legitimate deductions and transportation costs in order to determine the fair market value of oil. But how do you determine the price of oil that is produced in the middle of the Gulf of Mexico? You can very easily determine the price of oil at the wellhead, if you sold the oil at the wellhead, some 200 miles offshore. However, the oil is transported hundreds of miles onshore where it is refined and then ultimately sold. The question then becomes: Who pays for the transportation of the oil from the middle of the gulf? It is the Federal Government's oil. Do the companies pay for the transportation or does the Federal Government? There is a huge disagreement on this very difficult and complicated issue.

We say to the Interior Department, in the Interior appropriations conference report, that the rule is fundamentally flawed. It does not allow for the legitimate deductions in the costs of transportation that should be allowed. Therefore, do not go forward with this rule. Instead, we are giving Congress and the Interior Department time to come to an agreement on what is appropriate and I am pleased that we have been able to at least delay the rule until a suitable solution can be determined.

Mr. MURKOWSKI. I thank the Senator from Texas, as well as the Senators from New Mexico, Oklahoma, and Louisiana who have all been steadfast in their desire and commitment to ensuring a royalty valuation process that is fair to both the American taxpayer and to domestic producers. As was spelled out in the report accompanying this conference agreement, the GAO, at a minimum, must thoroughly examine and answer several central issues and answer several key questions. Among those questions the GAO must fully answer are:

1. Does the OCSLA and the MLLA require that a producer pay royalty on the value added by post-production downstream activities?

2. Does the Interior Department proposed rule allow royalty payors to obtain timely valuation methodology determinations on which they can rely similar to the practice of Internal Revenue Service letter rulings?

3. Does the proposed rule provide that the "gross proceeds" method utilized in valuation of arms-length transactions can not be later set aside for an alternative methodology (resulting in penalties and interest) simply because another entity was able to obtain a higher value for the sale of production in the open marketplace?

Mrs. HUTCHISON. I thank the Senator. I would also like to ask the distinguished assistant majority leader, Senator NICKLES, what, in his view, must be examined by the GAO in its study?

Mr. NICKLES. I thank the Senator. There are, indeed, other key questions that must be thoroughly reviewed and discussed by the GAO study. Specifically:

1. For non-arms length transactions; the GAO should study the use by the MMS of comparable sales as a measure of value of production at the lease, provided the lessee satisfies prescribed information and sales volume requirements. This study should not be limited to the Rocky Mountain region only, but studied for use in all areas.

2. The GAO must study the adoption of alternative ratemaking principles for DOI use in establishing the commercial rate for transportation when oil is sold downstream of the lease. GAO must also examine what adjustments are reasonable for location and quality of production and post-production activities when oil is sold downstream of the lease.

This seems to be the best way to arrive at a fair, accurate, and concise calculation of the fair market value of production at the lease.

I am confident that in this way producers and the Federal Government would be ensured a fair and workable royalty payment system.

Mr. DOMENICI. If the Senator will yield, I must say I agree with my colleagues, Senators HUTCHISON, MURKOWSKI, and NICKLES, who represent, along with myself, the key committees of jurisdiction over this issue. The GAO study that we have mandated must, at a minimum, provide a thorough examination of these issues, as detailed here and in the conference report.

Mrs. HUTCHISON. Mr. President, I thank my colleagues for their guidance and continuing interest in this regard. Finally, I believe my colleagues would agree that it would be useful if the MMS would repropose its oil valuation rule. It has been nearly 2 years since the agency put forward its last complete proposed rule. The DOI has received voluminous comments since that time, including detailed recommendations by industry at three public workshops on the rule earlier this year. It also re-opened the comment period for a month earlier this year. In trying to resolve this matter, it would be helpful if all the parties could understand the agency's current thinking on the contentious issues my colleagues have described. Reproposing the rule would be the best way to

achieve that result and I strongly encourage the agency to do so.

#### EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC-5506. A communication from the Secretary of Transportation, transmitting, a draft of proposed legislation entitled "Surface Transportation Board Reauthorization Act of 1999"; to the Committee on Commerce, Science, and Transportation.

#### INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. LEAHY (for himself and Mr. HATCH):

S. 1769. A bill to continue reporting requirements of section 2519 of title 18, United States Code, beyond December 21, 1999, and for other purposes; to the Committee on the Judiciary.

By Mr. LOTT (for himself, Mr. HATCH, Mr. CRAIG, Mr. COVERDELL, Mr. MCCONNELL, Mr. GREGG, Mr. GORTON, Mr. FRIST, and Mr. ASHCROFT):

S. 1770. A bill to amend the Internal Revenue Code of 1986 to permanently extend the research and development credit and to extend certain other expiring provisions for 30 months, and for other purposes; read the first time.

By Mr. ASHCROFT (for himself, Mr. HAGEL, Mr. BAUCUS, Mr. DODD, Mr. BROWNBACK, Mr. KERREY, Mr. ROBERTS, Mr. DORGAN, Mr. DASCHLE, Mr. ABRAHAM, Mr. ALLARD, Mr. BENNETT, Mr. BINGAMAN, Mr. BOND, Mr. BURNS, Mr. CONRAD, Mr. CRAIG, Mr. CRAPO, Mr. DURBIN, Mr. FITZGERALD, Mr. GORTON, Mr. GRAMS, Mr. HARKIN, Mr. HUTCHINSON, Mr. INHOFE, Mr. JEFFORDS, Mr. KERRY, Mr. LEAHY, Mrs. LINCOLN, Mr. CHAFEE, Mr. THOMAS, and Mr. WARNER):

S. 1771. A bill to provide stability in the United States agriculture sector and to promote adequate availability of food and medicine for humanitarian assistance abroad by requiring congressional approval before the imposition of any unilateral agricultural medical sanction against a foreign country or foreign entity; read the first time.

By Mrs. MURRAY:

S. 1772. A bill to amend the Elementary and Secondary Education Act of 1965 to foster family and school partnerships for promoting children's educational achievement through strengthening family involvement and providing professional development to school staff, and to amend the Higher Education Act of 1965 to provide for parenting education programs; to the Committee on Health, Education, Labor, and Pensions.

S. 1773. A bill to amend the Elementary and Secondary Education Act of 1965 to increase student involvement, and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

#### STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. LEAHY (for himself, and Mr. HATCH):